

# EXHIBIT 1



GOVERNMENT OF PUERTO RICO  
PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY

**Municipal Secondary Market Disclosure Information Cover Sheet**  
**Municipal Securities Rulemaking Board (MSRB)**  
**Electronic Municipal Market Access System (EMMA)**

**Additional / Voluntary Disclosure**  
**Financial / Operating Data**

THIS FILING RELATES TO ALL OR SEVERAL SECURITIES ISSUED BY THE ISSUER, OR ALL OR SEVERAL SECURITIES OF A SPECIFIC CREDITOR:

Issuer's Name: Commonwealth of PR (Commonwealth); Children's Trust ("CT"); Puerto Rico Sales Tax Financing Corporation (COFINA); Puerto Rico Electric Power Authority (PREPA); Puerto Rico Aqueduct and Sewer Authority (PRASA); Puerto Rico Highways & Transportation Authority (PRHTA); University of Puerto Rico (UPR); Puerto Rico Housing Finance Authority (PRHFA); Puerto Rico Industrial Development Company (PRIDCO); PR Ports Authority; Puerto Rico Public Housing Administration (PHA); Puerto Rico Municipal Finance Agency (MFA); and GDB Debt Recovery Authority (GDB DRA)

Other Obligated Person's Name (if any): \_\_\_\_\_

Nine-digit CUSIP number(s): Commonwealth of PR - 74514L; Children's Trust - 16876Q; COFINA - 74529J; PREPA - 745268, 74526Q; PRASA - 745160; PRHTA - 745197; UPR - 91481I; PRHFA - 74526L, 74527A; PRIDCO - 74521I; PR Ports Authority - 74528U; PHA - 74526L; MFA - 745277 and GDB DRA - 36829QAA3

TYPE OF INFORMATION PROVIDED:

- A. ☐ Quarterly / Monthly Financial Information
- B. ☐ Change in Fiscal Year / Timing of Annual Disclosure
- C. ☐ Change in Accounting Standard
- D. ☐ Interim / Additional Financial Information / Operating Data
- E. ☐ Budget
- F. ☐ Investment / Debt / Financial Policy
- G. ☐ Information Provided to Rating Agency, Credit / Liquidity Provider or Other Third Party
- H. ☐ Consultant Reports
- I. ☒ Other Financial / Operating Data: "Fiscal Matters: A Discussion on Expenditures & Revenues, Budget, Tax Compliance and Economic Indicators" presentation for the PRNow Forums conference held in New York City on May 18-19, 2023.

I represent that I am authorized by the issuer, obligor or its agent to distribute this information publicly.

/s/ Nelson J. Pérez Méndez

Nelson J. Pérez Méndez

Puerto Rico Fiscal Agency and Financial Advisory Authority,

as Fiscal Agent for the Commonwealth and its instrumentalities

Dated: May 30, 2023



**AAFAF**  
Puerto Rico Fiscal Agency and  
Financial Advisory Authority

# PRNOW

**F O R U M S**



# DISCLAIMER



The Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF"), the Government of Puerto Rico, its instrumentalities and agencies (the "Government"), and each of their respective officers, directors, employees, agents, attorneys, advisors, members, partners or affiliates (collectively, with AAFAF and the Government, the "Parties") make no representation or warranty, express or implied, to any third party with respect to the information contained herein and all Parties expressly disclaim any such representations or warranties. The Government has had to rely upon preliminary information and unaudited financials. As such, AAFAF and the Government have made certain assumptions that may materially change once those financial statements are fully audited. The Parties do not owe or accept any duty or responsibility to any reader or recipient of this presentation, whether in contract or tort, and shall not be liable for or in respect of any loss, damage (including without limitation consequential damages or lost profits) or expense of whatsoever nature of such third party that may be caused by, or alleged to be caused by, the use of this presentation or that is otherwise consequent upon the gaining of access to this document by such third party.

This document does not constitute an audit conducted in accordance with generally accepted auditing standards, an examination of internal controls or other attestation or review services in accordance with standards established by the American Institute of Certified Public Accountants or any other organization. Accordingly, the Parties do not express an opinion or any other form of assurance on the financial statements or any financial or other information or the internal controls of the Government and the information contained herein. Any statements and assumptions contained in this document, whether forward-looking or historical, are not guarantees of future performance and involve certain risks, uncertainties, estimates and other assumptions made in this document. This presentation is given as of the date hereof, may not be final, is based on information available to AAFAF as of the date hereof, is subject to any assumptions set out therein and is subject to change without notice. Accordingly, this presentation may be based on (a) data and information that may no longer be current and (b) estimates that may involve highly subjective assessments. It should be understood that subsequent developments may affect this document and AAFAF does not undertake any obligation to provide any additional information or to update any of the information or the conclusions contained herein or to correct any inaccuracies which may become apparent. Any data or information regarding, or based on, past performance is no indication of future performance.

The economic and financial condition of the Government and its instrumentalities is affected by various legal, financial, social, economic, environmental, governmental and political factors. These factors can be very complex, may vary from one fiscal year to the next and are frequently the result of actions taken or not taken, not only by the Government, but also by Financial Oversight and Management Board for Puerto Rico and other third-party entities such as the government of the United States, including without limitation actions by the Federal Emergency Management Agency, actions related to Medicaid or the Affordable Care Act and actions under the Community Disaster Loans Program. Because of the uncertainty and unpredictability of these factors, their impact cannot be included in the assumptions contained in this document.

Future events and actual results may differ materially from any estimates, projections, or statements contained herein. Nothing in this document should be considered as an express or implied commitment to do or take, or to refrain from taking, any action by AAFAF, the Government, or any government instrumentality in the Government or an admission of any fact or future event. By receiving this document, the recipient shall be deemed to have acknowledged and agreed to the terms of these limitations. This document may contain capitalized terms that are not defined herein or may contain terms that are discussed in other documents or that are commonly understood. You should make no assumptions about the meaning of capitalized terms that are not defined, and you should refer questions to AAFAF should clarification be required.

This document does not constitute an offer to sell or the solicitation of an offer to buy or restructure any security, nor does it constitute an offer or commitment to lend, syndicate or arrange a financing, underwrite or purchase or act as an agent or advisor or in any other capacity with respect to any transaction, or commit capital, or to participate in any trading strategies, and does not constitute legal, regulatory, accounting or tax advice to the recipient. Nothing in this document shall be considered a solicitation, recommendation or advice to any person to participate, pursue or support a particular course of action or transaction, to purchase or sell any security, or to make any investment decision. Recipient is responsible for making its own independent investigation and appraisal of the risks, benefits, appropriateness and suitability of any course of action or transaction contemplated by this presentation. The decision to proceed with any transaction or action contemplated by this presentation must be made by the Recipient in light of its own commercial assessments, and AAFAF will not be responsible for such assessments.

# Fiscal Matters: A Discussion on Expenditures & Revenues, Budget, Tax Compliance and Economic Indicators

Hon. Omar J. Marrero, Secretary of State & Executive Director of AAFAF

Hon. Francisco Parés, Secretary of the Treasury

Juan Carlos Blanco, Executive Director of the Office of Management & Budget

Hon. Gabriel Maldonado-González, Secretary of Labor and Human Resources







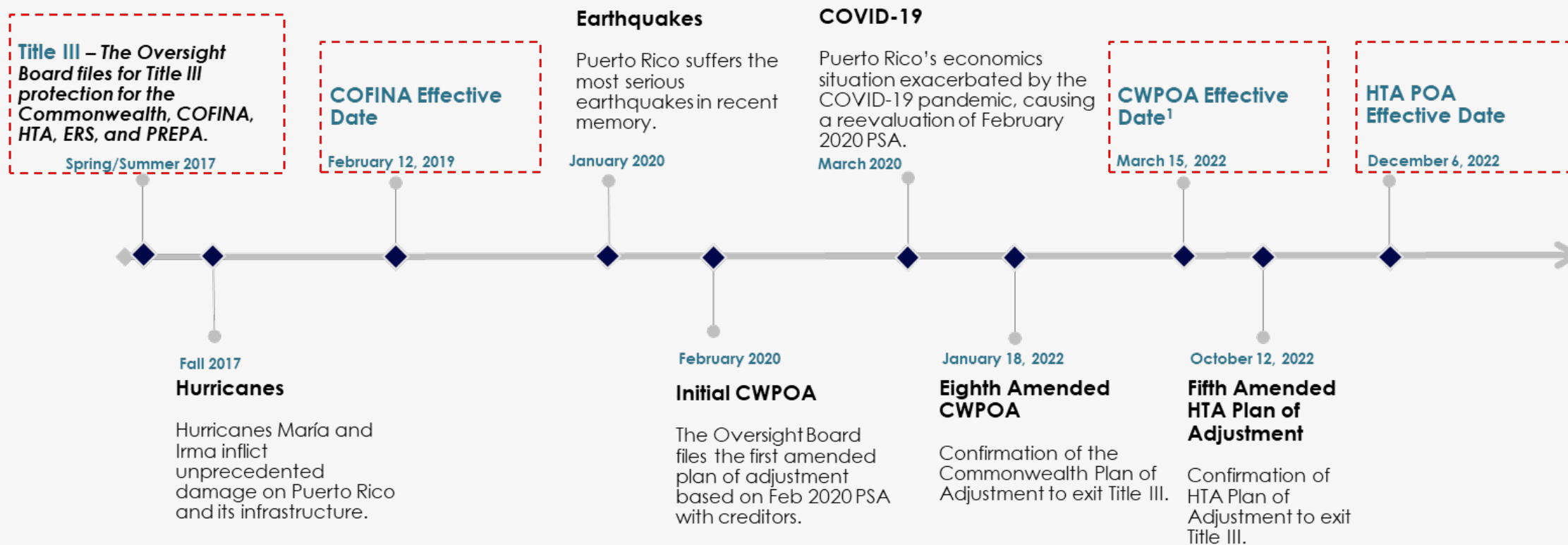
# Introduction: Progress to Date

Hon. Omar J. Marrero, Secretary of State & Executive Director of AAFAF

# Introduction: Historical Perspective



Since 2017 Puerto Rico has endured through unprecedented challenges and natural disasters but has shown resolve and resiliency in moving forward.



Notes: (1) Includes CCDA, ERS and PRIFA.



# Sustainable Capital Structure – Completed Restructurings

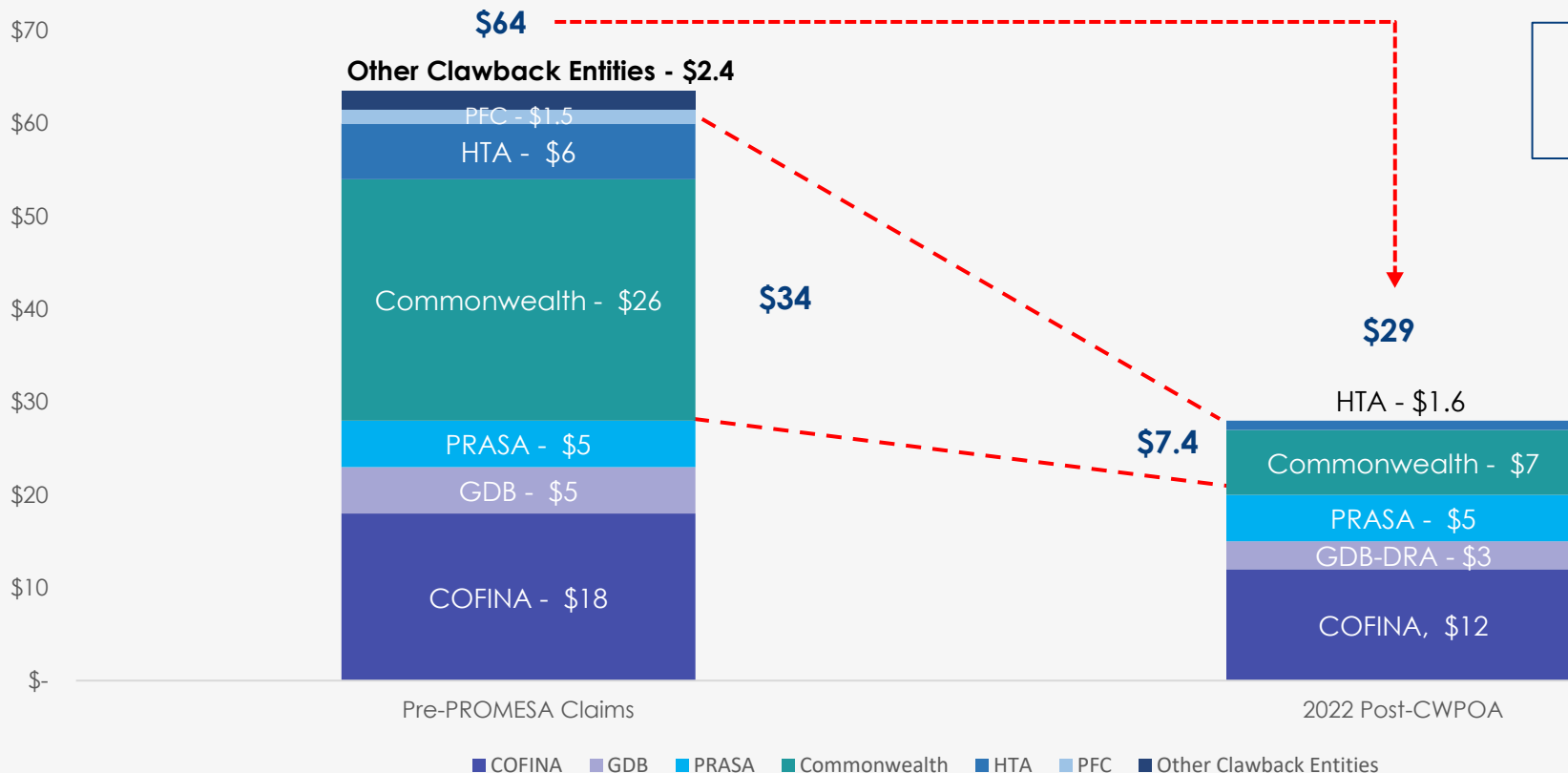


## Commonwealth Pre-PROMESA Debt Obligations

(\$ in billions)<sup>1, 2, 3</sup>

## Commonwealth Post-CWPOA Debt Obligations

(\$ in billions)<sup>4</sup>



Notes: (1) Clawback claims include ~\$2 billion PRIFA and ~\$400 million CCDA and MBA. (2) Commonwealth includes GO/PBA claims of ~\$19 billion, estimated GUCs of \$2.75 billion, other miscellaneous claims of ~\$1 billion, and ERS claims of ~\$3 billion. (3) PREPA is excluded as it is not yet restructured and the Government of PR terminated the 2019 PREPA RSA earlier this year. Court mandated mediation ongoing, Plan of Adjustment filed by the Oversight Board on December 16, 2022. (4) PFC restructuring contemplates the issuance of \$47 million in new GDB-DRA bonds which is subject to ongoing litigation due to objection raised by GDB-DRA.



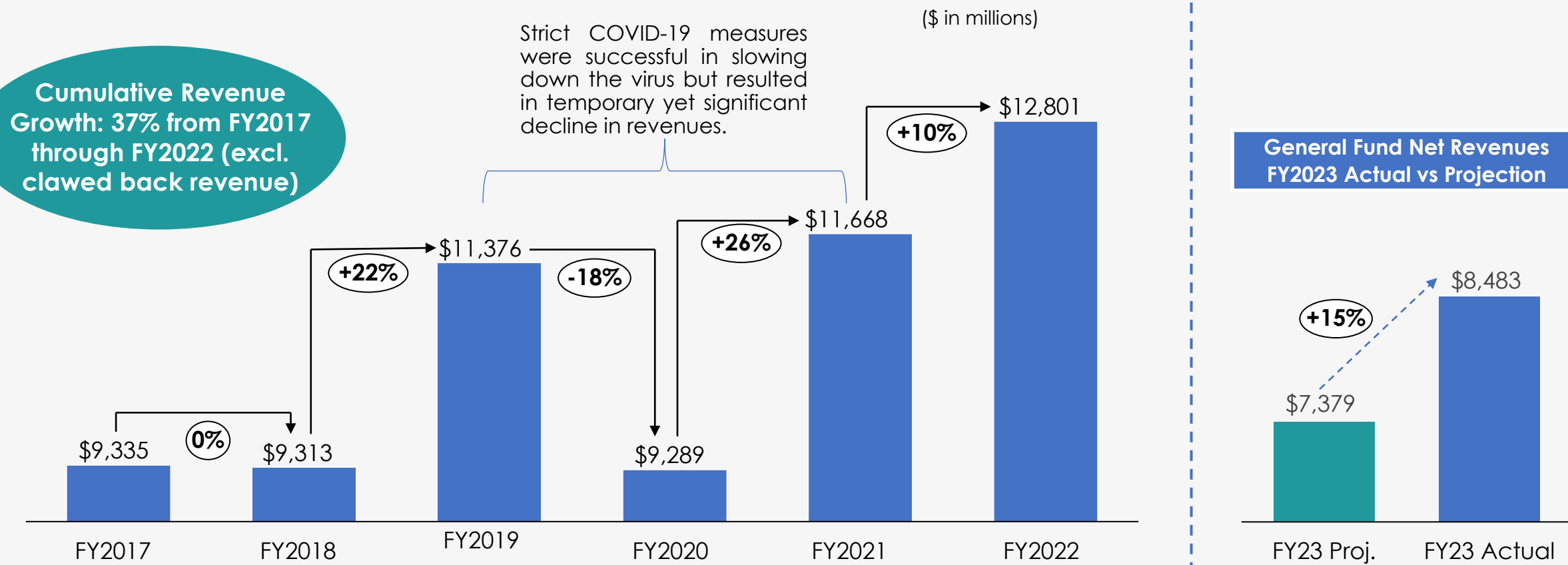


# Revenues, Liquidity and Compliance

## General Fund Net Revenues



General Fund Net Revenues have grown at a 6.5% CAGR from FY2017 through FY2022 despite numerous catastrophes that have plagued the island over this time. Increased compliance in SUT, PIT and CIT have driven revenues to the highest ever in Puerto Rico.



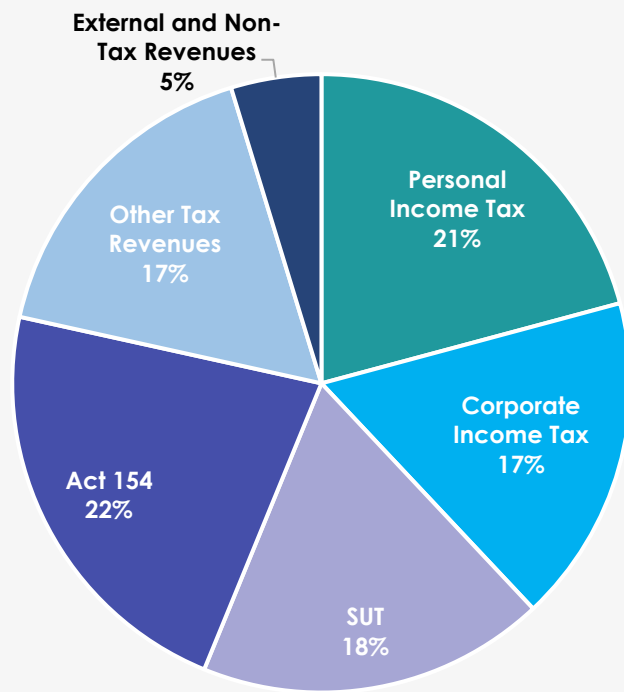
## General Fund Net Revenues



Since 2017, General Fund net revenues have increased by 37% while the contribution from Act 154 revenues declined from 22% to 12%. In addition, the prepetition moratorium acts clawed back approximately \$700m in revenues from HTA, PRIFA, CCDA and AMA, which is not included in the figures below (for comparative purposes).

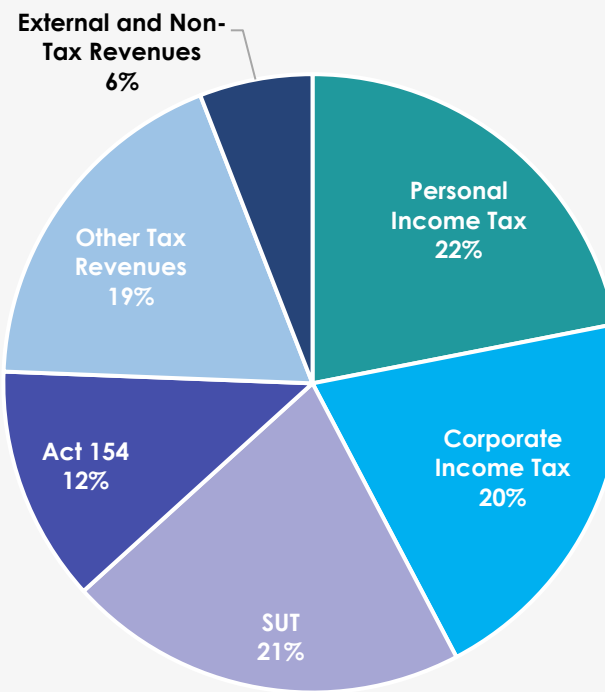
General Fund Net Revenues, 2017

Total: \$9.33 bn



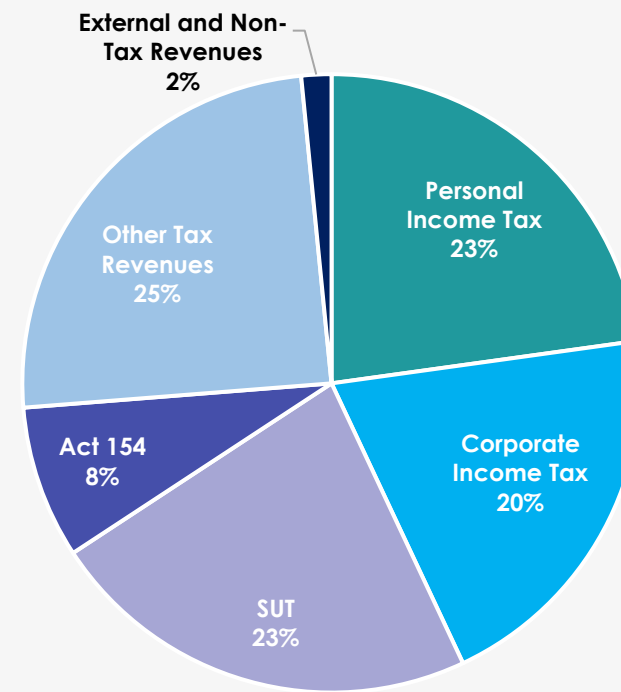
General Fund Net Revenues, 2022

Total: \$12.80 bn



General Fund Net Revenues, 2023 YTD

Total: \$8.48 bn





## Stabilized Medicaid Funding



**The omnibus spending bill that Congress approved in December 2022 contains the largest ever allocations for Medicaid for Puerto Rico in the history of the program. Highlights include:**

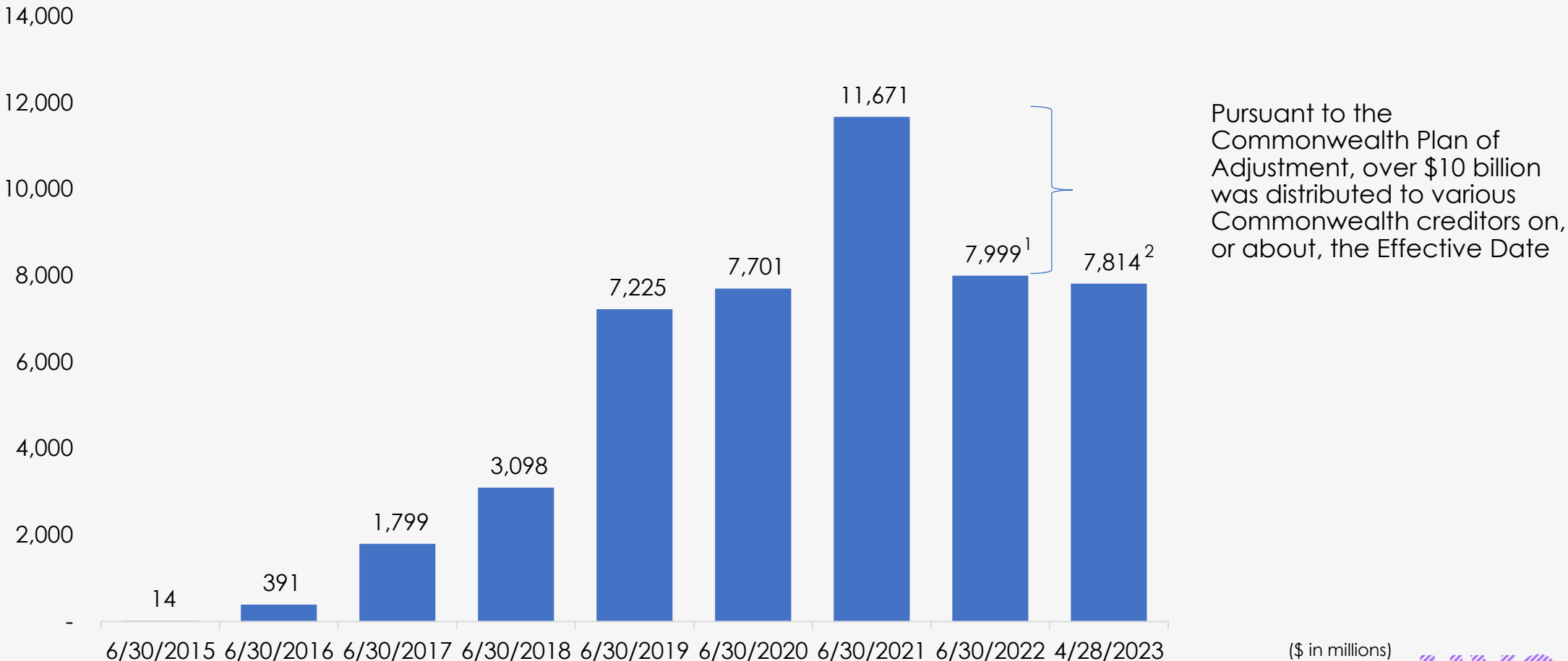
- The base allocations of \$3.275 billion for FY 2023; \$3.325 billion for FY 2024; \$3.475 billion for FY 2025; \$3.645 billion for FY 2026; and \$3.825 billion for FY 2027.
- An additional \$300 million per year is available if the Secretary of HHS certifies that the Puerto Rico state plan has established a reimbursement floor for physician services under Part B of Medicare that is at least at 75% of the payment rate under the Part B payment fee schedule.
- A further increase of \$75 million is available for each year that Puerto Rico meets certain regulatory requirements relating to Medicaid.
- The FMAP is set at 76%.
- This provides stability to the system for a period of 5 years and protects the island after 5 years.



# Commonwealth Liquidity Has Strengthened



Since filing for Title III in 2017, Commonwealth cash levels have improved, driven by General Fund revenue outperformance, expense measures and the moratorium on debt service payments. This is all despite Hurricanes Irma and Maria, the 2019 and 2020 earthquakes and the COVID-19 pandemic.

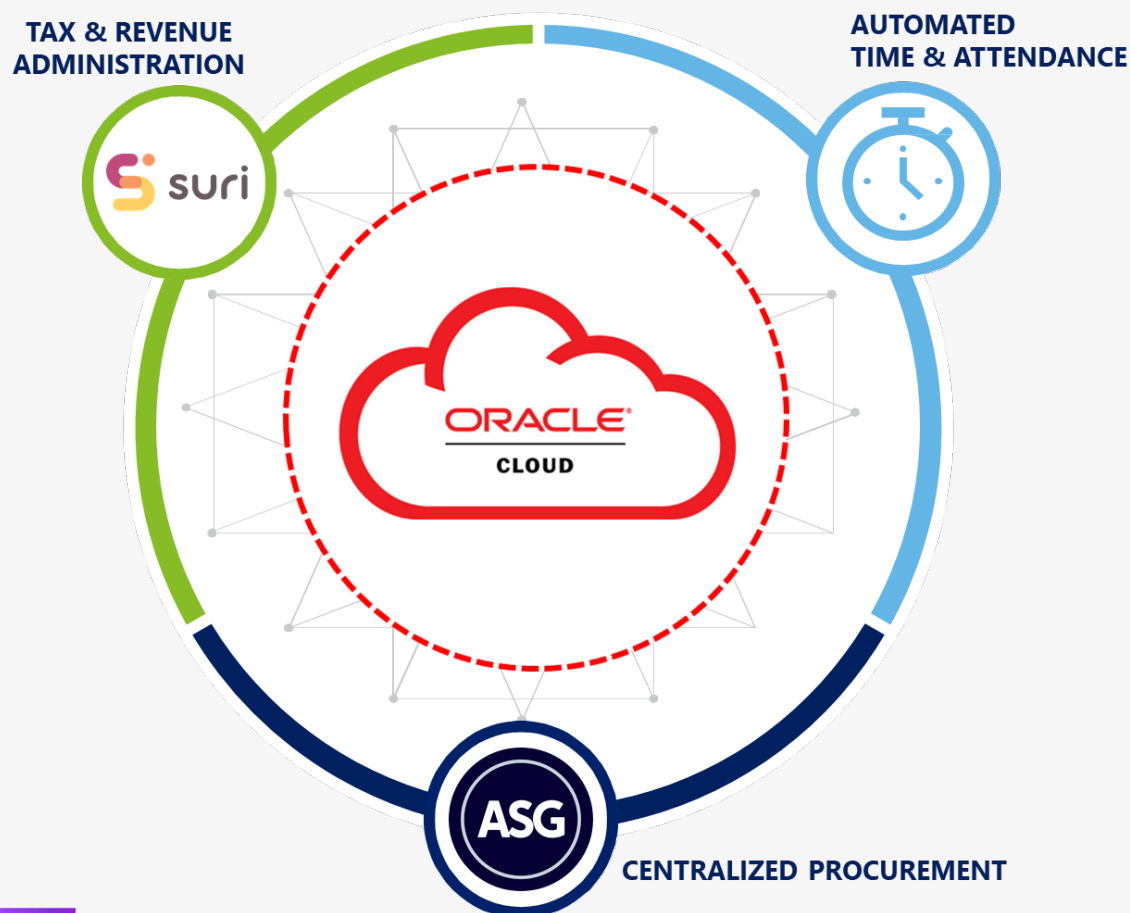


Notes: (1) In FY2022 the Commonwealth generated a surplus more than \$4 billion and had additional transfers from other Commonwealth agencies in excess of \$2 billion, both of which offset the \$10.8 billion in distributions to paying agent for CWPOA distributions. (2) Including \$743 million from the SURI Sweep Account that are pending reconciliation and transfer to the TSA.

# Leveraging Technology to Enable Fiscal Reform



Oracle ERP will streamline the government's Financial, Supply Chain, Human Capital Management, and Payroll technology ecosystem bringing significant benefits.



## Benefits Gained



Automated Account Reconciliation



Improved Cash Management



Timely Financial Statements



Budgetary Reporting and Controls



Regular Monthly Accounting Close



Internal Controls

PR

# The Centralized ERP Solution for the Government

AAFAF  
Puerto Rico Fiscal Agency and  
Financial Advisory Authority

In 2024 Oracle Cloud ERP will be operational and provide....



- ✓ **SINGLE INTEGRATED PLATFORM:** FINANCIAL, SUPPLY CHAIN, HCM, AND PAYROLL
- ✓ **STANDARDIZED** PROCESSES
- ✓ **CENTRAL SOURCE** FOR DATA
- ✓ IMPROVED **BUDGETARY CONTROLS**
- ✓ **FASTER** PROCESSING TIMES
- ✓ **TIMELY** AND **ACCURATE** REPORTING

## Status of Audited Financial Statements



Significant progress has been achieved in becoming current on the issuance of audited financials.

| Fiscal Year | Audit Status   |
|-------------|--|
| FY 2018     | Finalized  |
| FY 2019     | Finalized  |
| FY 2020     | Finalized  |
| FY 2021     | To be issued on or about May 31, 2023                              |
| FY 2022     | To be issued October 31, 2023                                      |
| FY 2023     | To be issued May 1, 2024<br>Current continuing disclosure deadline |



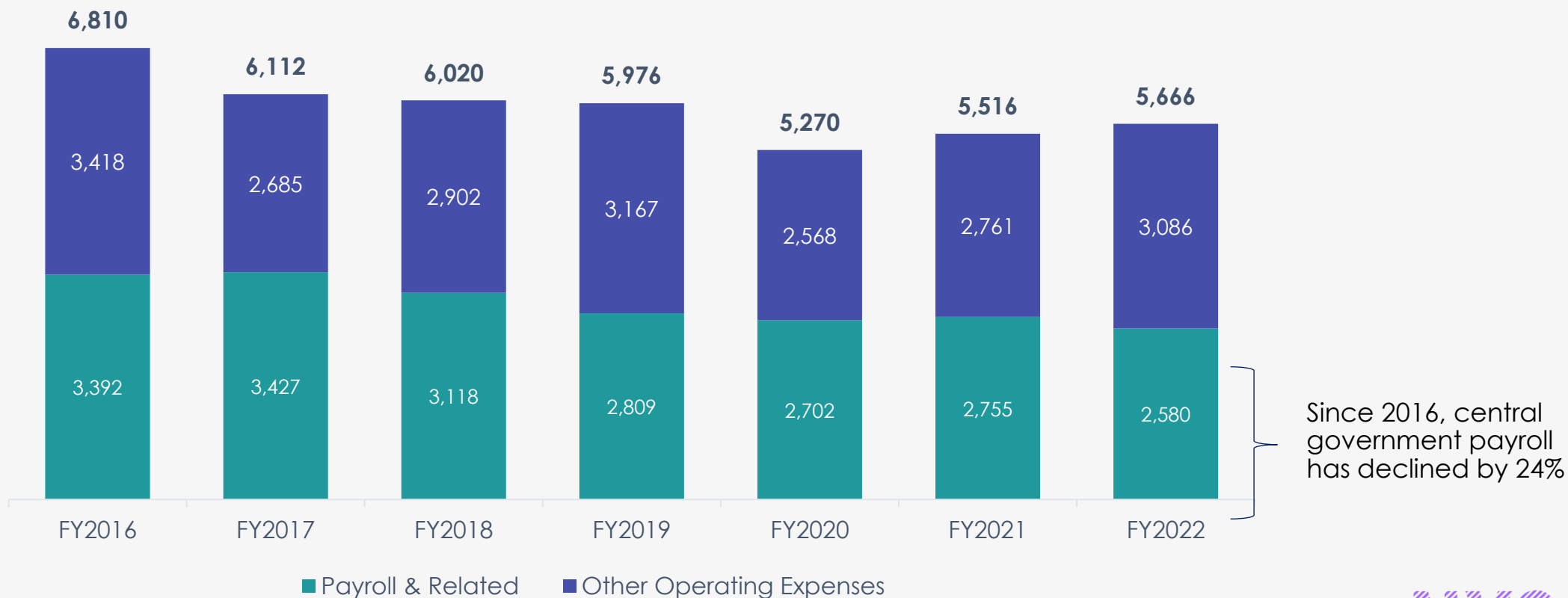
# Budgeting and Expenditures

## Operational Restructuring – Expense Reduction



The Government continues to focus on achieving balanced budgets while optimizing the allocation of resources to provide effective public services to the residents of Puerto Rico. Since FY2016, General Fund operating expenses have been reduced by approximately 17%.

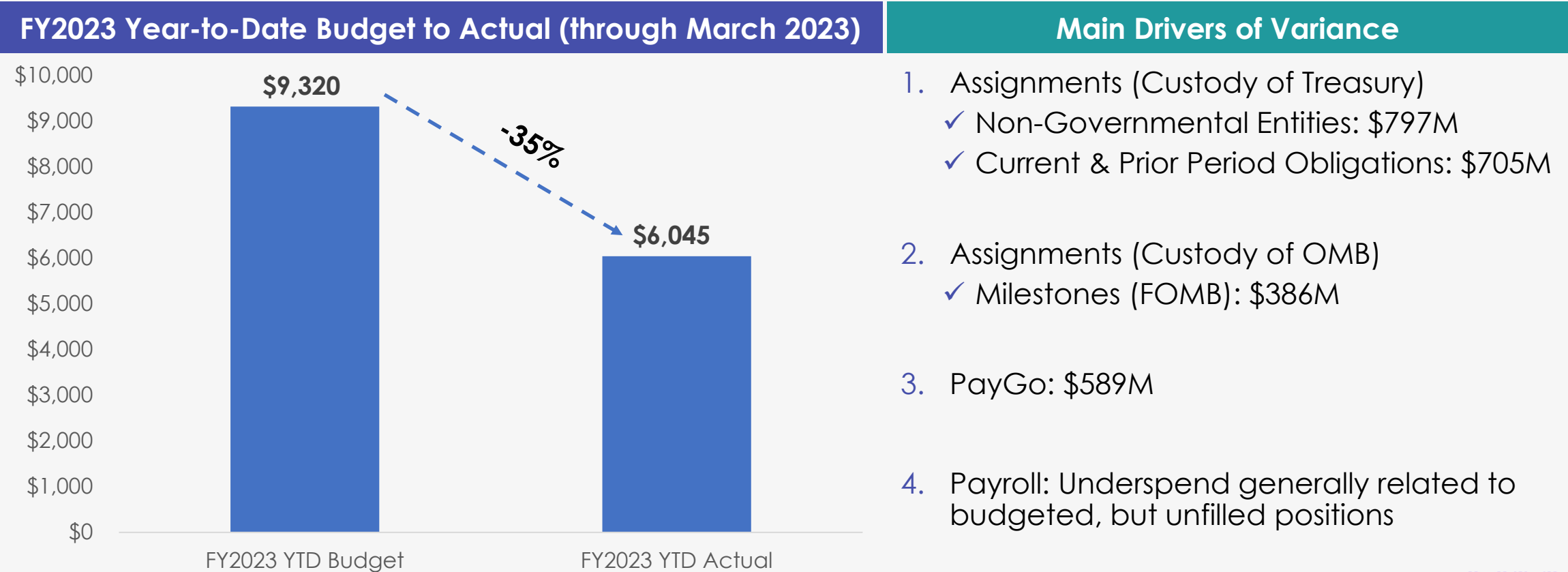
General Fund Operating Expenses (\$ in millions)<sup>1, 2</sup>



# Fiscal Year 2023 Budget vs. Actual Expenses



FY2023 Budget to Actual through March 2023 shows underspending of \$3.2 billion or 35% based on actual disbursements. This underspending reflects normal trends in the central government spend cycle, with a material amount of expenses charged in the final quarter of the fiscal year.





## Budget Process Overview



**PROMESA section 202(c) sets forth a process for the approval of annual budgets that must comply with the certified fiscal plan**

|   |  |
|---|--|
| <b>Budget Preservation Levers</b>               | <ul style="list-style-type: none"> <li>Budget provides for restriction on encumbrances and disbursements of General Fund appropriations such that 2.5% is held back until the fourth quarter of the fiscal year</li> <li>Judicial Branch, Public Broadcast Corp, agencies in the Department of Public Safety and Health grouping and PayGo appropriations are not subject to this withholding</li> </ul>                   |
| <b>Restriction on Prior Year Budgeted Funds</b> | <ul style="list-style-type: none"> <li>Budget provides for restriction on use of appropriations of prior fiscal years to a 60-day period after the end of the fiscal year, assuming such appropriations have been encumbered by June 30</li> <li>Exceptions apply to permanent improvements and to equipment with long procurement cycles and certain appropriations held in custody by the Treasury Department</li> </ul> |
| <b>Reporting Requirements</b>                   | <ul style="list-style-type: none"> <li>Fiscal Plan provides for budget to actual reporting on a recurrent basis to reflect recorded general fund expenditures.</li> </ul>  |
| <b>Prior Year Reprogramming</b>                 | <ul style="list-style-type: none"> <li>The budget provides for the suspension of reprogramming or extension of appropriations of prior fiscal years.</li> </ul>  |
| <b>Budget Reserves</b>                          | <ul style="list-style-type: none"> <li>Budget provides for restriction on use of reserves, particularly the emergency and capital expenditure reserves</li> <li>Fiscal plan requirement: \$130MM/year for 10 years (totaling ~2% of FY2018 GNP)</li> </ul>   |

**Budgets are now developed in phases, with a responsible exercise of planning and development of requested budgets and active participation by agencies.**



# Enhancements to the Office of Management and Budget Budget Office



As part of the implementation of Budget Best Practices, OMB's Budget Division has been restructured into three main areas:

- **Budget Operations** - focused on the day-to-day budget operations, monthly closings, and budget to actual performance regarding Government agencies.
- **Strategic Planning** - focused on the planning of the budget process both long and short term.
- **Quality and Compliance** - focused on monitoring compliance requirements and regulations as defined in the approved Budget

A new Center for Government Excellence was also created to lead the transformation of the government and the development of more specialized work divisions in the budget Directorate to achieve greater focus and effectiveness in budget management activities.

## Efficiency Initiatives: Grants Management Office



We have established the Grants Management Office (GMO) to provide guidance and technical assistance to agencies and municipalities with managing federal funds and programs.

- GMO seeks to use best practices by identifying risks and assisting state entities in taking steps to **prevent noncompliance and possible losses of funding opportunities**, as well as providing the necessary knowledge.
- Analyze pooled budgets to complement state and federal funding sources in compliance with applicable laws and regulations.

| Six Main Objectives |   |
|---------------------|---|
| Risk Assessment     | Fiscal Guidance                               |
| Capacity Building   | Data Analysis                                 |
| Policymaking        | Facilitator for Federal and Local Governments |

- Expanded knowledge sharing between local and federal agencies facilitated by the GMO, further enhances knowledge in the local government, **improving compliance and streamlining disbursements**.

## Civil Service Reform



**Civil Service Reform focuses on transforming the public servant experience and supporting their professional growth in a transparent and sustainable manner to create a government that provides services of excellence and quality.**

- Recruiting and talent retention has been a challenge, partly attributed to lower than market compensation.
- Compensation workstream within the Civil Service Reform is benchmarking salaries and reviewing employee pay against market competitive rates of pay across Government agencies.

### Challenges

- Difficulty recruiting and retaining talent
- Below market pay
- Salary structures not aligned to market leading practices
- Lack of centralized processes have resulted in inconsistent pay practices across agencies
- Training employees on how to apply these practices

### Drivers

- Market leading practices for compensation
- Employee experience (need to have competitive salaries, roles aligned, compensation according to performance and career progression)
- Understanding of periodic or circumstantial economic conditions

Values:

Clear Processes

Agency  
Alignment

Higher  
Retention

Equity

Pay  
Competitively



# Financial Management Agenda



# The Path to Fiscal Stability



A detailed fiscal roadmap helps the government in restoring structural balance, efficiency, and long-term fiscal stability.

## Government of Puerto Rico's Fiscal Roadmap



### Financial Management Agenda (FMA)

12 initiatives lay the foundation for restoring fiscal responsibility in Government and ensuring financial stability.

- 2 Foundational
- 4 Central
- 6 Supporting



### FMA's Best Practices

The FMA provides direction for the Government to adopt best practices that will help ensure:

- Balanced Budgets
- Consensus Revenue Projections
- Monthly Budget Monitoring



### Government of Puerto Rico

The government has created a new level of transparency and control over government spending.

- Creates oversight of budgets, contracts, and enforces progress against performance targets.



### Government Efficiency Measures

Government efficiency measures streamline and transform government operations by optimizing revenue collection and reducing government-wide expenditures.

## Initiatives Included in the FMA



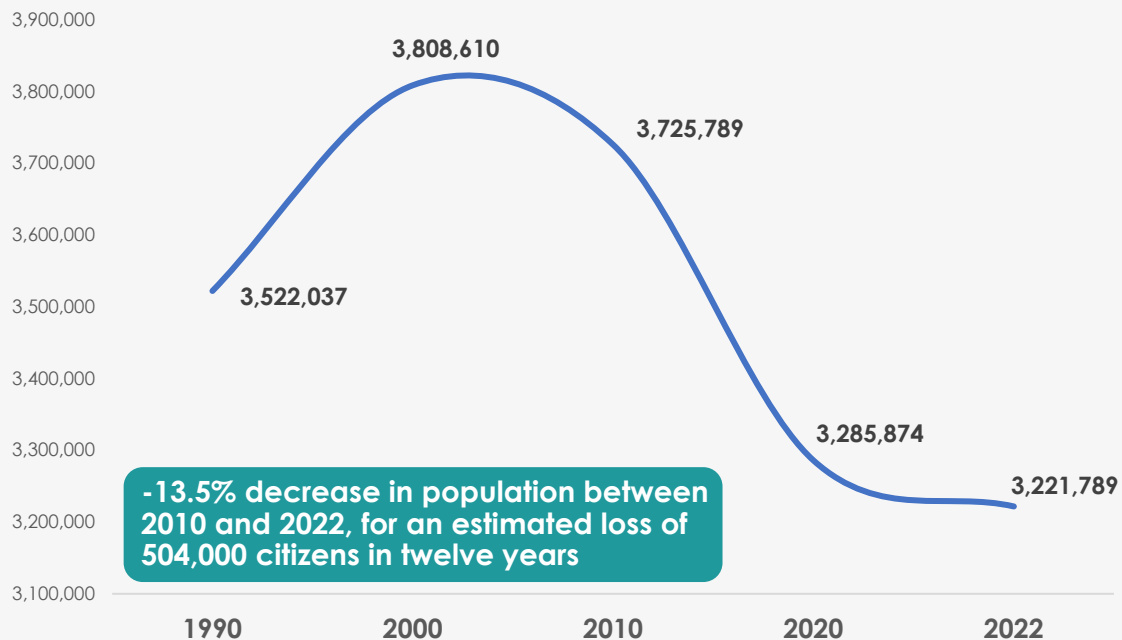


# The Labor Market

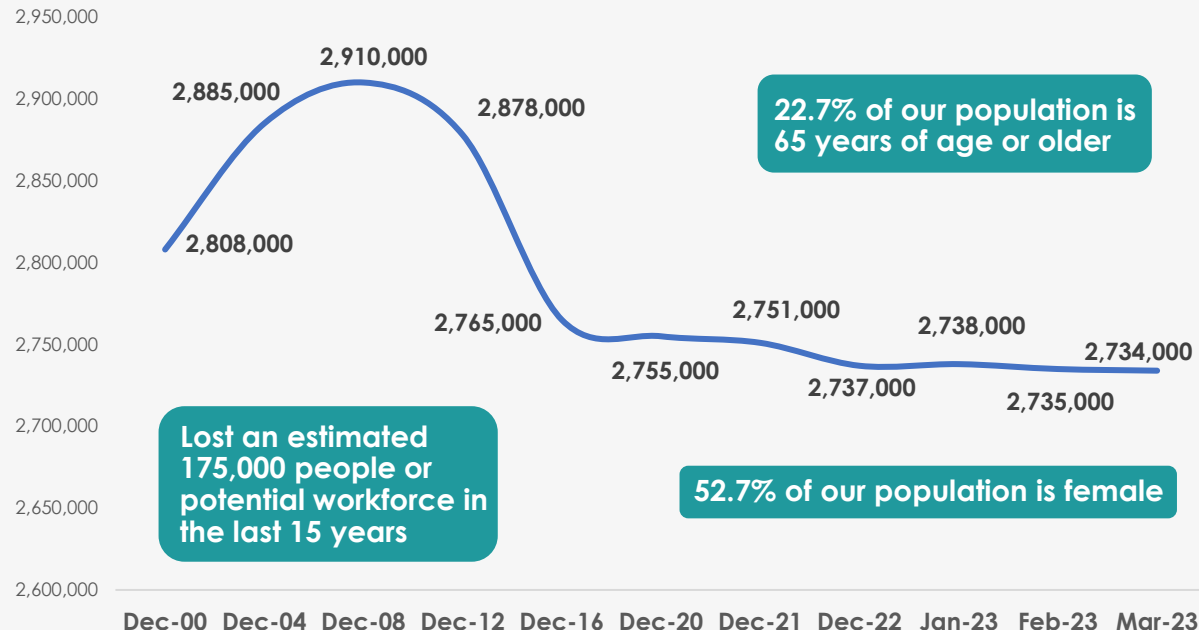
# Labor Market – Population Trends



**Total Population in Puerto Rico as per U.S. Census Bureau  
(rev July 2022)**



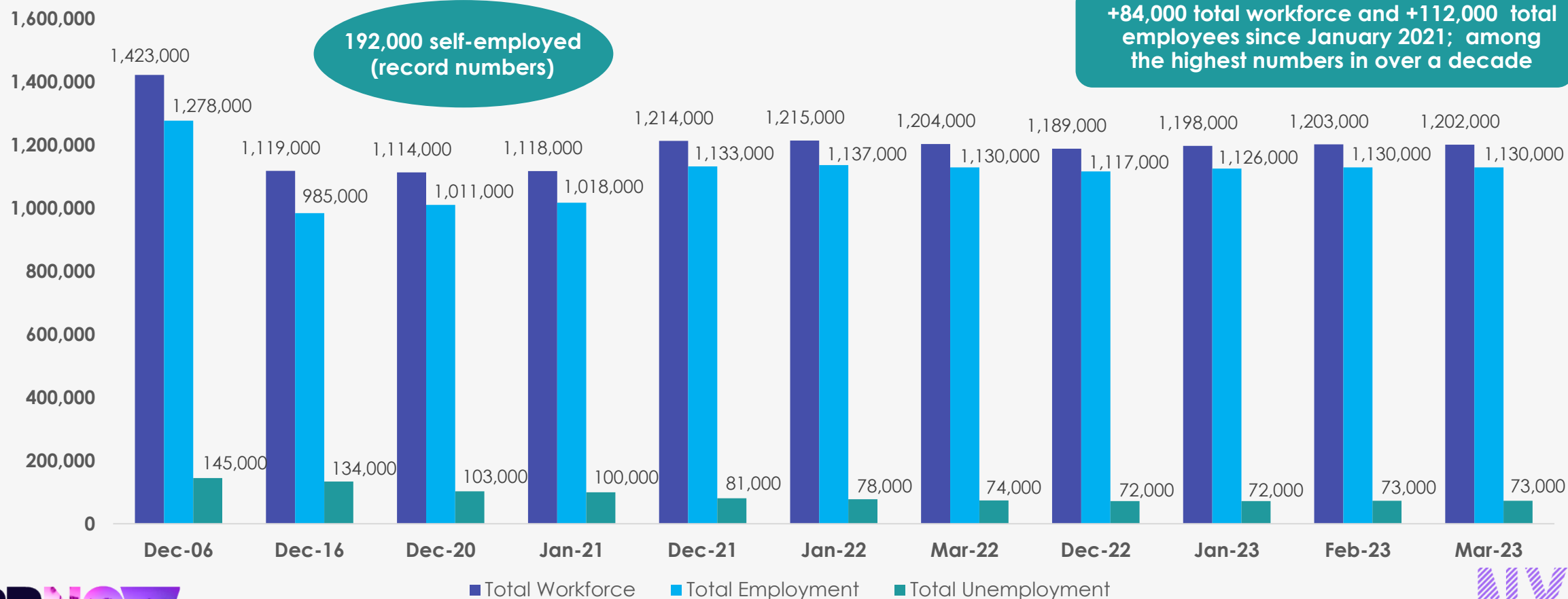
**Total Civilian Non-Institutional Population  
(Age 16 and Older)**



# Labor Market – Workforce, Employment and Unemployment



## Total Workforce, Employment and Unemployment in Puerto Rico Seasonally Adjusted (PRDOL; U.S. Bureau of Labor Statistics)



Source: Department of Labor and Human Resources.

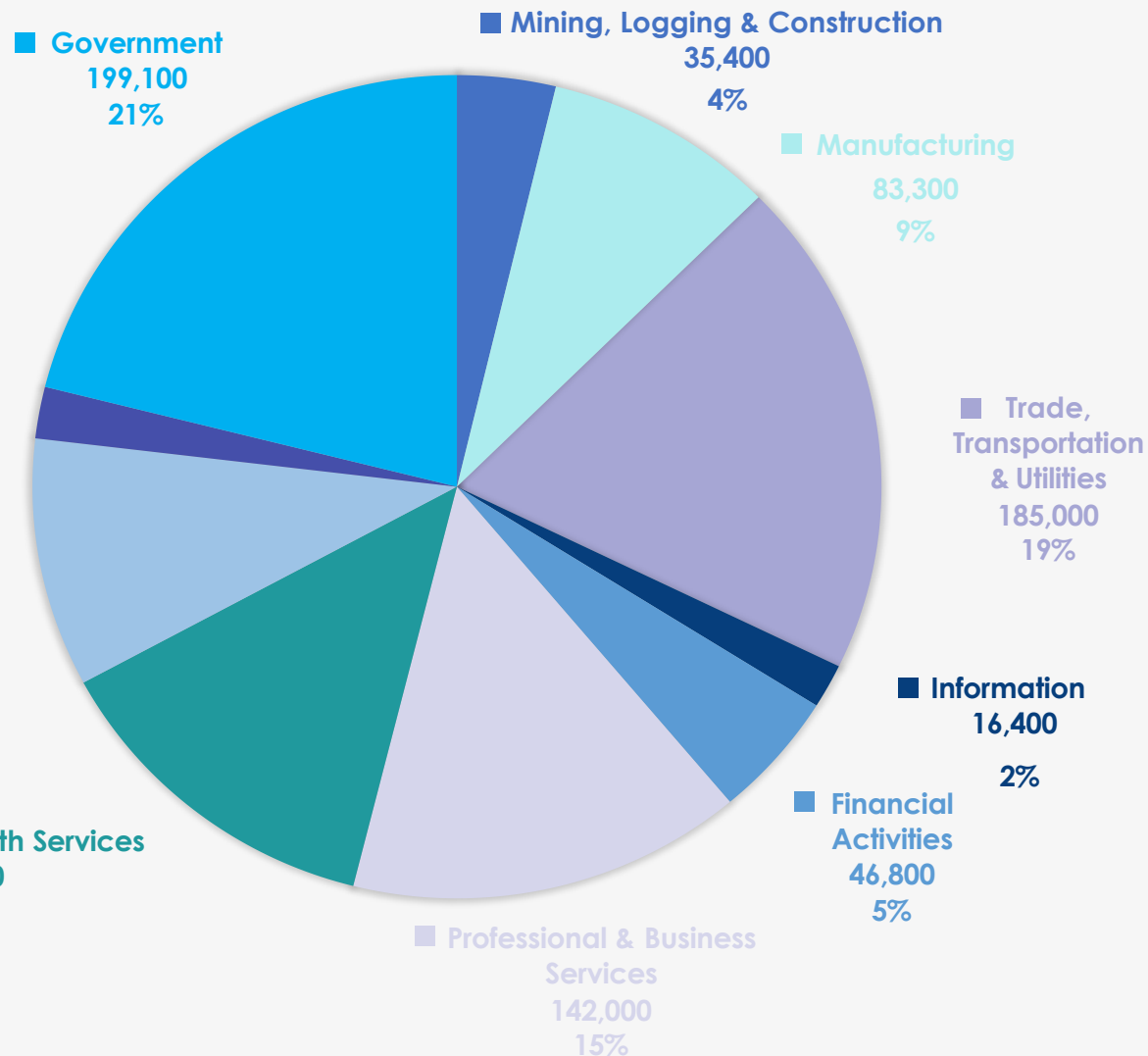


PR

# Nonfarm Employment by Industrial Sector in Puerto Rico March 2023



Total of 943,700 nonfarm salary and wage employees, which is +92,800 more than in January 2021



According to another publication, as of Q3 2022, we have 49,965 employer units, an increase of 1,982 units from Q3 2021, and 2,900 units if compared to Q1 2021

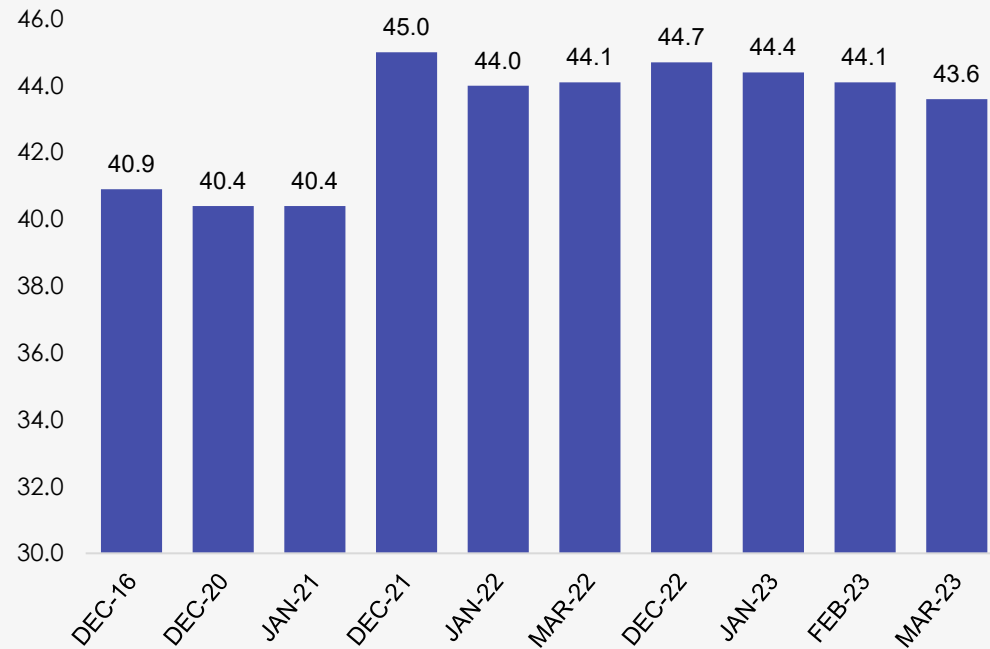
Record numbers in the Leisure & Hospitality Sector

# Labor Force Participation and Unemployment



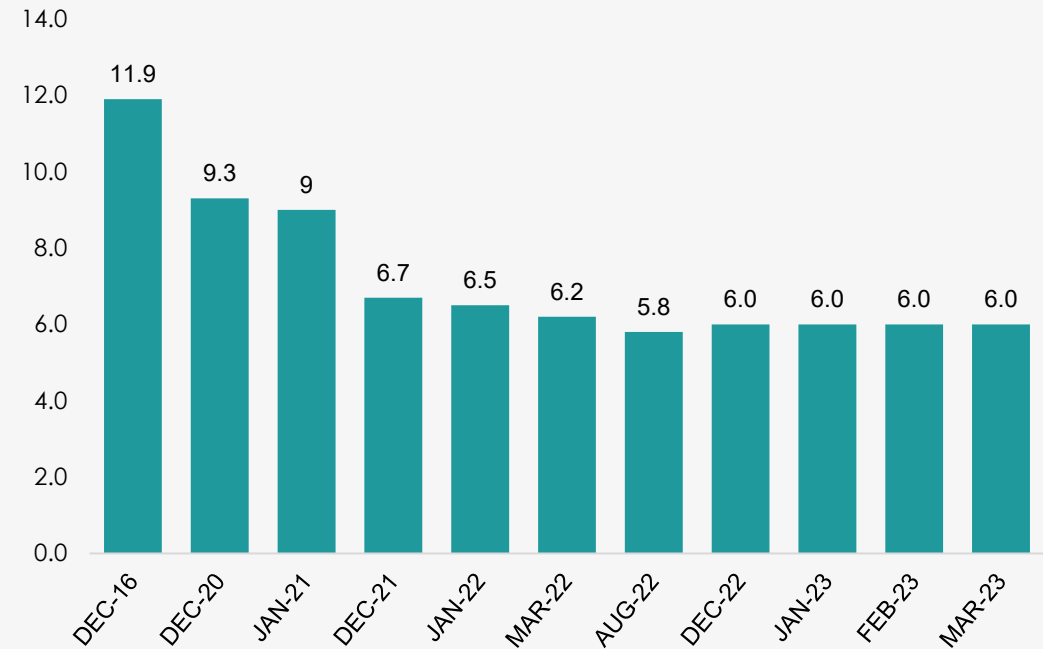
Labor force participation has shown significant improvement since 2016, while unemployment rate has reached historically low levels. Economic reforms are targeting jobs that can support families, creating stable communities, and increasing labor force participation to promote further growth.

### Labor Force Participation (%)



US Labor Participation Rate (as of 3/2023): 62.6%

### Unemployment (%)

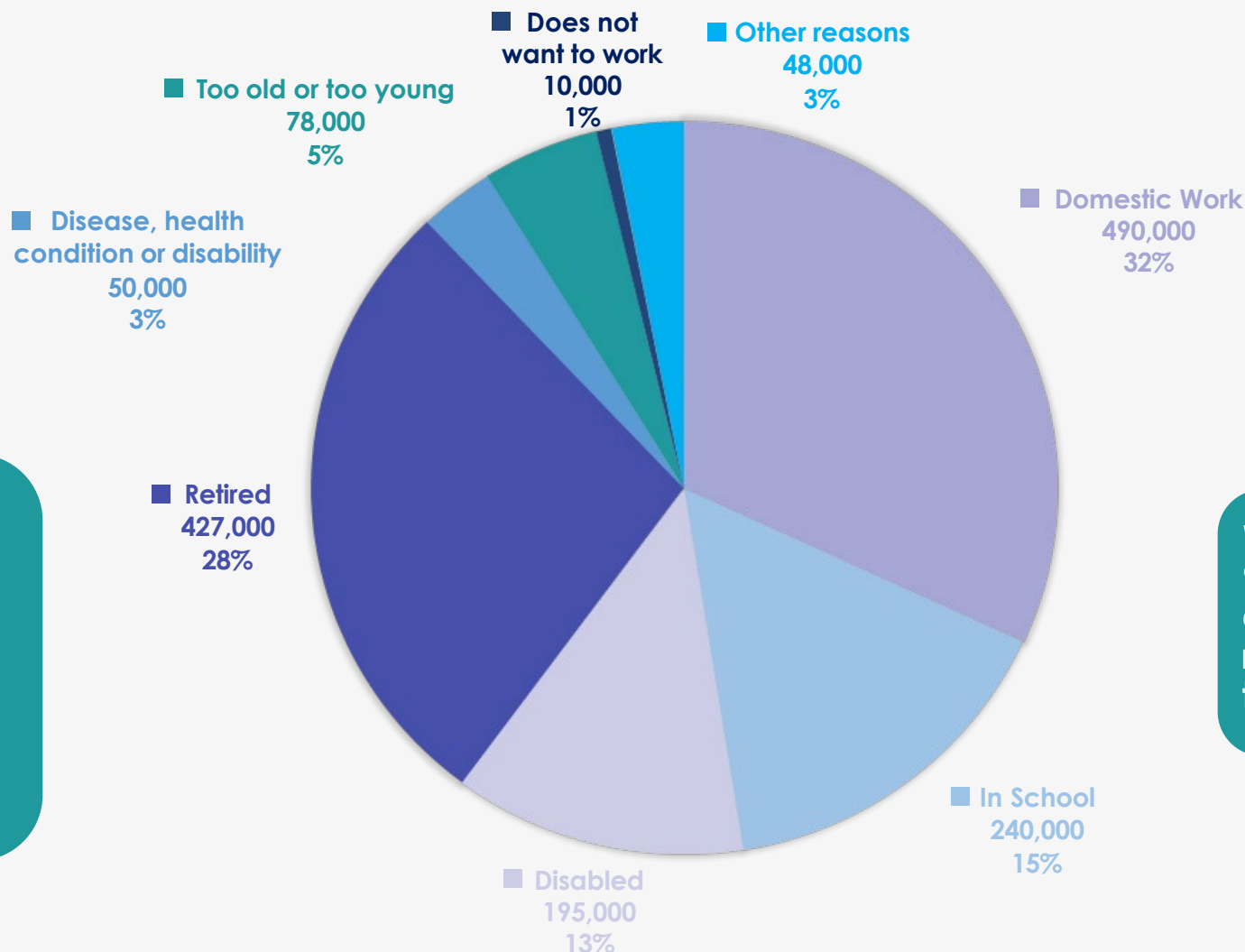


US Unemployment Rate (as of 3/2023): 3.6%

# Labor Market- People Out of the Workforce

AAFAF  
Puerto Rico Fiscal Agency and  
Financial Advisory Authority

## Distribution of People Out of the Workforce by Reported Reason (March 2023)



1,541,000 citizens  
out of the  
workforce for  
various reported  
reasons

At the same time,  
approximately 1.4  
million citizens  
participate in the  
federally funded  
Nutritional  
Assistance  
Program (NAP)

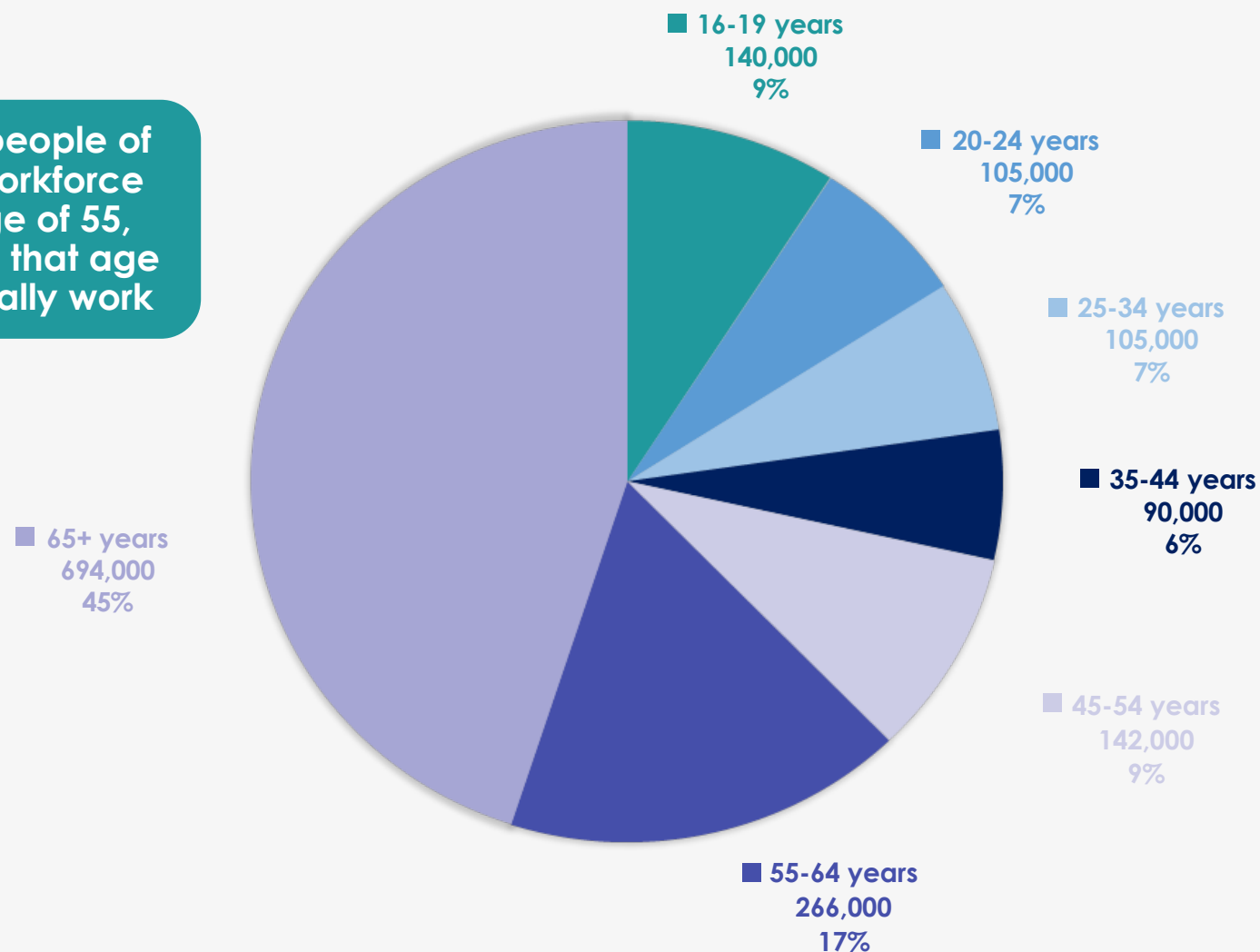
Women comprise about  
95% of those who report  
domestic work as the  
reason for not being in  
the labor force

# Labor Market- People Out of the Workforce

AAFAF  
Puerto Rico Fiscal Agency and  
Financial Advisory Authority

## Distribution of People Out of the Workforce by Age Group (March 2023)

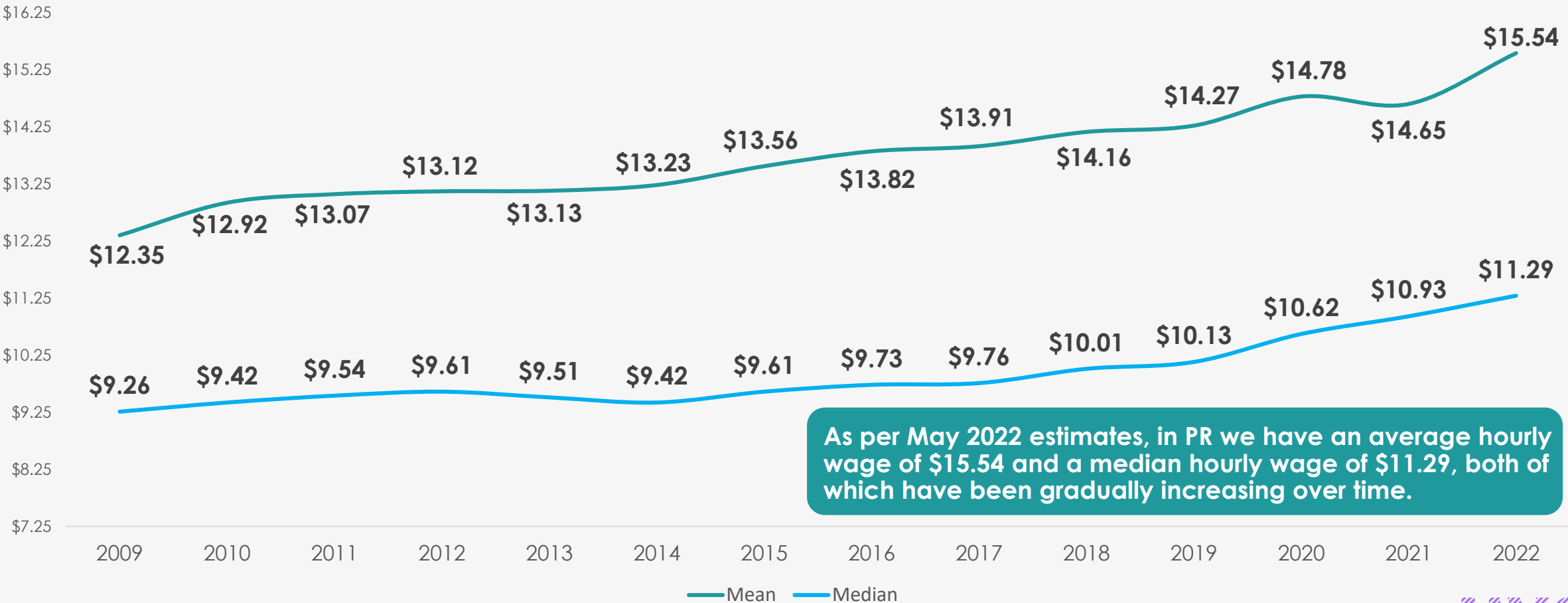
38% -or 581,000- people of those not in the workforce are below the age of 55, while many above that age could also potentially work



# Labor Market



## Mean and Median Salary in Puerto Rico (PRDOL; U.S. Bureau of Labor Statistics)





# Labor Market – Increasing Labor Force Participation



Approximately 1.5 million residents of Puerto Rico are not part of the workforce.

## Who is Outside the Workforce?

- ✓ In welfare programs
- ✓ Women
- ✓ Population with functional diversity
- ✓ Younger population
- ✓ Older adults
- ✓ Formerly incarcerated

## What is Being Done

**Skilling and Reskilling:** Connecting these groups with employers after adequate skilling and reskilling with WIOA funding and other programs.

**Temporary Work Visas:** Key to help sustain adequate workforce levels for several sectors in collaboration with private sector employers.

**H-2B Visa:** Ensuring that federally-funded reconstruction process has adequate labor supply through H-2B Visa or any modification thereof as currently proposed by Governor Pierluisi.

- ✓ H-2A Visa also increasingly important for agricultural sector.

# Concluding Remarks



We are convinced our full potential is still ahead of us, with a generational opportunity afforded by unprecedented federal support, private sector investments and the creation of competitive conditions for the private and public sectors to thrive.

As an additional step in our commitment to the highest levels of transparency to the bond market, we are pleased to announce that we have joined the BondLink network.





**Government of Puerto Rico**

Puerto Rico Government Agencies

**BONDLINK** My BondLink Log Out

**ABOUT BONDS DOCUMENTS RESOURCES**

## Government of Puerto Rico

### Welcome to Our Investor Relations Site

On behalf of the Government of Puerto Rico, I would like to welcome you to our new investor relations website. We appreciate your interest and investment in bonds issued by Puerto Rico, as it allows us to make critical investments in public infrastructure throughout Puerto Rico. We are committed to being as transparent as possible with the investor community and public at large.

I hope you find this website useful as you seek to better understand the credit fundamentals of Puerto Rico. Please do not hesitate to contact our office with suggestions for how we can improve. Thanks again for your interest in our bond program.

Gov. Pedro Pierluisi, Governor of Puerto Rico

**Puerto Rico Government Agencies**

- Government of Puerto Rico
- Puerto Rico Aqueduct and Sewer Authority
- Puerto Rico Fiscal Agency and Financial Advisory Authority
- Puerto Rico Highway and Transportation Authority (HTA)
- Puerto Rico Sales Tax Financing Corporation (COFINA)

**ISSUER OVERVIEW** NOTIFICATIONS OFF

**Government of Puerto Rico**  
Issuer Type: State / Province

**BONDS DOCUMENTS NEWS/EVENTS CONTACT US**

- ✓ With a simple signup and login process, our new Investor Relations (IR) website will allow you to receive automatic alerts for important documents, event notices, press releases, or project updates.
- ✓ New website currently includes subsites for GO Bonds, HTA, and PRASA, and the previously launched IR website for COFINA.
- ✓ Combined, we are now sharing almost 800 financial reports and documents on an easy-to-use platform that is free and open to all investors and visitors.

We are now using the same IR platform as the top issuers in the municipal bond market, including the largest issuer in the bond market – the State of California – as well as a number of large, sophisticated issuers. A select few include:



**City of Atlanta**  
Investor Relations



**Chicago General  
Obligation Bonds**



**Dallas, Texas**  
Investor Relations



**State of Georgia**  
Investor Relations



**Los Angeles County**  
Investor Relations



**Commonwealth of  
Virginia**



**State of Florida Division of  
Bond Finance**



**State of Oregon**



**State of Wisconsin**  
Investor Relations



**The University of Texas  
System**



**University of  
California**





**AAFAF**  
Puerto Rico Fiscal Agency and  
Financial Advisory Authority

# PRNOW

## F O R U M S